SHRI JIBON ROY (West Bengal): Madam, we should take it up tomorrow. We have to discuss so many things.

THE DEPUTY CHAIRMAN: You know, the time is limited. There are only a few days left. Those, who want to speak, will, in any case, sit, and those who do not want to speak, will go. So, let those who want to speak, have an opportunity to speak.

THE BUDGET (GENERAL), 1998-99 (contd.)

SHRI N.K.P. SALVE (Maharashtra): Madam Deputy Chairperson, I am feeling very nervous.

THE DEPUTY CHAIRMAN: Salve Saheb, don't feel nervous because I am leaving the Chair. I have got a very bad throat. I came to regulate the business in the House.

SHRI N.K.P. SALVE: Madam, that at this stage of the proceedings of the House, so late in the day you take up the discussion on a subject as mundane and asserious as the Budget is—earlier we have had such a lively debate in which the whole House was engulfed for so long—indeed a matter which would unnerve anyone.

[The Vice-Chairman (Shri Triloki Nath Chaturvedi) in the Chair.]

Mr. Vice-Chairman, Sir, I am very nervous. Anyway, I will venture to say whatever I have to say. Sir, knowledgeable people in the country who are also conversant with the state of the economy of the country are extremely concerned. They are worried and perturbed both at the macro-economic level and micro-economic level at the state of affairs of the economy. The key indicators of the economy show that the economy is pushing itself downward defiantly and if it continues to do so, very shortly it will be at the beam-end of its resilience.

As very rightly pointed out by the Finance Minister this morning while replying to a question, if the fundamentals at the macro-economic levels are sound, then, the economy will be sound. If the economy is not sound today, I am sure he will accept the analogy that there is something wrong with the fundamentals of our economy at the macro-level. Therefore, the Finance Minister realised the urgency of the matter and the seriousness of the matter and designed the Budget proposals in such a manner to arrest any further deterioration in the economy and end the present recessionary phase. This was expected. Unless this is done one wonders whether we are heading towards a disastrous economic upheaval, if not a collapse. It is from that point of view, I would like to examine the Budget proposals as to what extent they are able to achieve these objectives. Perhaps, in the post-independent period our economy has never been in as precarious a state for so long as it has been this time.

Just I would like to have a very quick look at the key indicators of the economy. The GDP growth has gone down to 5 per cent in 1997-98 as against 7.5 per cent as average in the preceding three years. The same is the situation wiht agricultural production. The same is the situation with food production. The industrial growth which is very important from the viewpoint of employment and unemployment in 1997-98 has declined to 4.3 per cent as against 9.54 per cent average of the preceding three years. The growth of exports is exceedingly alarming. The growth of exports is a very important index of the state of the economy of the country. It was 14.8 per cent average for the preceding three years. Now, it is reduced alarmingly to 2.6 per cent. The value of the rupee in terms of the dollar was Rs. 31.42, as on 31.3.1995 and it fell to rs. 41.78 a dollar on 4.6.1998. In six months and four days the fall in the value of the rupee is 33.05 per cent.

Some discussion came this morning of a similar decline and depreciation in the South-East Asia, in Japan and in Korea. The Finance Minister was pleased to say

that as compared to other currencies, the rupee has held the field and has not depreciated in terms of the dollar in the preceding few days to the same extent as these currencies in the South-East Asia and Japan. Sir, I would like to submit and point out to the Finance Minister it is very unfair to compare India or the Indian economy with these economies. These economies have a very strong infrastructure, very wide infrastructure. They are all very highly developed countries. The can always recover and should anything go wrong with our currency.... we will get into a very serious problem. It is undoubtedly true that the market forces and not the Government intervention should determine the price of the ruppe in terms of the dollar. But what is important is what are the factors which are leading to this decline in the rupee. And it was so correctly explained by the Finance Minister that unless the economy is strong, it will not be possible for us to augment the growth of our exports, which is so vital for the accelerated development of the country. Look at the alarming indebtedness! The outstanding liability of the Central Government as on 31st March, 1998 is Rs. 8,69,066 crores which is 61.4 per cent of our GDP. The interest payment in 1997-98 being Rs. 65,700 crores is 47.4 per of the total revenue receipts. What is more alarming is the growth of indebtedness in the last five years prceding 1997-98. At the end of 1992-93, the indebtedness was Rs. 4,80,467 crores, and as on 31.3.1998, it is as I pointed out, Rs. 8,69,066 crores. The growth in indebtedness in these five years in 85 per cent. Likewise, the interest payment in 1994-95 was Rs. 44,060 crores which increased to Rs. 65,700 crores in 1997-98, a steep increase of 49.11 per cent in three years. Not for a moment do I apportion the blame for all this on the Finance Minsiter. That is not my intent. But it is certainly my intent to bring these very disconcerting features before the Finance Minister because what is important in the light of such a dismal situation, such a grim and grave situation of the economy is whether these Budget proposals are capable of taking care of the situation.

Now, reducing the Government expenditure is so necessary. It is a sound principle of public finance and I don't need to teach this to the Finance Minister that every Government, if it is to efficiently manage its financial affairs, must cut the coat according to the size of the cloth. We have been borrowing recklessly and its expenditure is increasing every time. The revenue expenditure is increasing. That means we are borrowing money for our household expenses. The fiscal deficuit is increasing and all this when seen and juxtaposed in the context of our indebtedness, to say that our fiscal deficit is manageable, is perhaps an optimistic perception.

The Himalayan burden of the enhanced wages and salaries after the recommendations of the Pay Commission, has made the Government an oversized and flabby organisation, which requires drastic cuts from all the ends. If you want any efficiency, if you want any better productivity in administration, the top-heavy and unproductive and wasteful Government expenditure has to be cut drastically. Under the circumstances, I concede, a very onerous, a very difficult and a very delicate task vested on the shoulders of the Finance Minister to give the Budget of 1998-99. Therefore, what was needed in the Budget was that it should have been very courageous, it should have been very dynamic, it should have been very innovative, it should have not only indicated but rigorously worked for austerity in Government expenditure, bringing the country to a path of fiscal discipline and fiscal rectitude. While reviving the economy, self-serving exhortations, bravado and rhetorics cannot tame the laws of economics.

They are ruthless. If examined in the context of the present state of the economy of the country, one finds the

Budget unfortunately inadequate and very disappointing. In the last ten days, the stock markets, which are a barometer of sorts of the response of the market to the Budget have shown that the situation has gone from bad to worse. For all-round growth, the first step was to rebuild the investors' confidence in the economy. It is well accepted, Sir, that adequate Government resources, if channelised into a productive stream, do help a great deal to stimulate the economy undoubtedly. That is never enough. You have to harness the savings of the nation, and you have to ensure that they are diverted towards productive channels, and such investment from the private sector cannot come unless investors' confidence is built in this kind of investment. What has been done to build the investors' confidence? Has the Budget shown any sign of reviving the investors' confidence? Is the Budget investor-friendly? Is the Budget growth-oriented? Has the Budget shown any indication of reviving the primary market? The primary market has been in very serious doldrums, Mr. Finance Minister. For the last three years, the total public issue mobilisation through debt equity in 1994-95 was Rs. 13,911 crores, which has fallen to a dismal figure of Rs. 3,061 crores in 1997-98. And the worst affected is the private sector which, in the past economic reforms, was seen as the main vehicle for growth. The equity mobilisation in private sector from people of Indian origin has fallen from Rs. 9,267 crores in 1994-95 to a paltry sum of Rs. 304 crores in 1997-98. Is there any dynamic, courageous and sincere approach to rebuilding the investors' confidence in this situaiton? In fact, I submit, apart from the investors' confidence, that the economy is in need of a kick start. It was, therefore, expected of the Finance Minister that he would take drastic measures to make the Budget very attractive. Insterad, the Budget is devoid of any direction, any incentive to give a boost to the economic growth. Unfortunately, the Budget is neither pro-investors, nor is it growth-oriented. The difficulty arises if the officials of the Finance Ministry are to say that it is investor-friendly and pro-growth. That doesn't help. They are paid for the job; they are bound to say so. What is the response of the market? Have we seen any improvement in the last ten days? And if the answer is 'no', then I think, the Finance Minister, knowing him as I do, will very frankly concede that the Budget has fallen short and is inadequate to meet the situation, either for revival of the confidence of the investors or for bringing about any measures of growth.

Sir, I concede one very difficult circumstance under which he was working. It is the political instability. Now, it is most unfortunate that the Minister has to work in a Government where its own partners are working overtime to make the Government lick the dust. And that is what is creating instability, political instability. In such circumstances, because of the fact that political instability is an anathema to a strong and prosperous economy, political stability, I submit, is *sine qua non*, both to restore the investors' confidence and to bring about stimulus to the economy, and, therefore, the task of the Finance Minister, I know, Sir, was doubly difficult, and unfortunately, he seems to have flopped completely.

Now, Mr. Minister, you have referred to Swadeshi. Swadeshi very illmingles with the liberalisation agenda. But the definition of Swadeshi that you have given, Mr. Finance Minister, in para 5 of your Budget Speech, to my mind, makes the whole concept of Swadeshi a little incomprehensible. What the Finance Minister says and I quote—

> "Swadeshi means making India strong and self-reliant so that we can compete in the world and win."

Is it your prayer, Mr. Finance Minister? Or, is this the view of your party and the frontal organisations of your party like Jan Jagran Morcha? To be able to do this you must be willing to

expose your industries to global competition and if that is what you are willing to do, you have to take assistance, both technological and financial, from everywhere because you aim is to be globally competitive and to win in the global market. That is completely opposed to and in conflict with what Jan Jagran Morcha, a frontal organisation of RSS, has been talking about. But I leave it at that. In fact, if this is the true concept of Swadeshi, it is in harmony with the concept of Swadeshi that China practised. China built her industries in a manner which was extremely conducive to its growth. She built up an extremely efficient and highly productive industrial sector in which she took assistance, technological, financial, every possible assistance, from abroad. Today the situation is that the Chinese products are capturing the American market. Sixty per cent to seventy per cent of the things, which are sold in America below 100 dollars, are made in China or in Taiwan. If this is how you want to build up Indian industries and if that is your concept of Swadeshi, I think, there can be no objection whatsoever. But the situation being what it is, I feel extremely distressed over the entire situation. When I look at the Budget figures I find there is a large fiscal deficit; there is a fairly large revenue deficit. Our debt-servicing expenditure is 45% of the total revenue expenditure and our Defence expenditure is 25%. The two items take away 70%. The Finance Minister also said that if need ever be, he would give more for Defence because defence preparedness is something on which we cannot compromise. Who decides this? The defence preparedness of this country cannot be sacrificed. In fact, the defence expenditure has always been a sacred cow in this House, in the other House and in the country. But for defence preparedness the *sine qua non,* the basic requirement, is a strong and prosperous economy. A country which bankrupt cannot fight wars. That is one reason, I feel, why a country like Pakistan will never be able to take on India. There may be many other reasons. Sir, I won't compare India with Pakistan because our economy is much stronger than theirs and has got much bigger resilience. So, it is not my intention to compare the two economies or to compare the two countries. But there is something that has happended in Pakistan as a result of Pakistan's Budget. That is something which is relevant for us to keep in kind and we must avoid getting into a similar situation as Pakistan has got into. In 1997-98 Pakistan allotted 54% of its current expenditure for debt servicing and another 29% to defence outlay. I was reading an article of Kalim Bahadur, in an American daily, *The Analyst.* While commenting on the Pakistan Budget *inter alia* he stated—I am not comparing the two; I am only pointing out the situaiton so that we can avoid getting into what Pakistan has got into—and I quote—

> "Over and above the defence and the debt-servicing expenditure, 2.5 billion dollars, that is, about Rs. 8,500 crores, was allotted to public sector development, while a paltry sum of Rs. 91.4 crores was earmarked for education. All these did not help the economy. By the end of the year the inflation lay at 11.8% as against the target of 8.5% while the growth of GDP was only 3.1%."

The article further states:

> "Pakistan is facing a gloomy future as macro economic fundamentals remain precarious and recession continues to grip the land".

I must reiterate that it is not an effort on my part to compare Pakistan with India because India and Pakistan can never be compared except perhaps in Cricket or Hockey. But what has happened in Pakistan because of this aproach? It is something which is relevant and germane to understand that we should avoid doing what they have done and got into difficulty.

Sir, now a word about inflation is necessary. Inflation has again started showing its ugly head expanding. It has

already reached 6.5 per cent. I do not know what the exact position today is. But one or two days back it was over 6.5 per cent. God forbid, unless we have a good monsoon, it is very difficult to imagine that we would ever have an inflation rate of less than two digits. If that ever happens, it will be a situation of stagflation in which in the midst of oppressive inflation we will continue to have recession.

Now I would like to talk about defence expenditure. As I said earlier, a strong economy is the very foundation of defence preparedness and a bankrupt nation cannot fight a war. That is, as I said earlier, one reason why Pakistan can never take on India. But in the meanwhile, this Government has taken full advantage of the recent nuclear and thermo-nuclear explosions which proved our nuclear weaponisation capability to the world. It could have taken much greater advantage than what it has taken. These explosions should have been used very skilfully to enhance our prestige and respect for nation's technological achievements. Only if we had acted with a certain degree of maturity and restraint after the explosions and pointed out that because of China's active assistance to Pakistan and tacit connivance of the United States of America in building up its nuclear weaponisation capability, we were forced to develop our capability and lost it and that we don't ever intend using this weapon of mass destruction of human beings and that it is only meant to be a deterrent. If we stopped at it, things would have been perhaps different. Such an approach would have placed us at a higher moral pedestal in international forums. Sir, India has always occupied a position at a higher or the highest moral pedestal because we have always based all our policies on certain principles and we have been very consistent at that. Now this time also if we had only shown some restraint, if we had shown some maturity and handled the situation, the post-explosion situation, with a certain degree of penance in the comity of nations, that would have enhanced our prestige. Now what happens is, the leaders of the frontal organisation of the ruling party and even some senior Ministers of the Union Cabinet indulge in—in what way I should describe it—mindless exhortations. Their attempt to politicise the explosions for partisan purposes or to communalise the nuclear detonations to arouse communal passions by calling it a Hindu bomb, has backfired. What a travesty of our technological achievements to call it a Hindu bomb! It is a bomb which was built up, which showed our capability, nuclear weaponisation capability, as a result of our country's efforts of several years and several decades. It cannot be a Hindu bomb or a Christian bomb or an Islamic bomb. It is the nation's bomb.

THE FINANCE MINISTER (SHRI YASHWANT SINHA): Mr. Salve, who, in the Govemment, described it as a Hindu bomb? Did any Member of the Government describe it as a Hindu bomb?

SHRI N.K.P. SALVE: Sir, earlier, I stated that the leaders of the frontal organisations have been irresponsible. Let me tell you what damage has been done by one of the senior Ministers talking about it. I never stated earlier that this Hindu bomb is the outcome of any of the statements of the responsible people of the BJP. I did not say it. I said that the frontal organisations have talked about it. But what the senior Minister has said has very much damaged the prestige and respect of India in the comity of nations. The threat of the Home Minister to Pakistan because of the newly emerging geo-strategic situation on nuclear explosion to quell terrorism in Jammu and Kashmir seems to have backfired very badly. The detonation of the nuclear and thermo-nuclear weapons has nothing to do so far as the quelling of terrorist activities in Kashmir is concerned. The nation has supported all the successive Gvoernments for whatever action they have taken to quell terrorism in Kashmir. A Government is entitled to take whatever steps it wanted to quell the terrorist

activities. But is it necessary to brag on in this manner in the matter of nuclear explosion and link it with the Kashmir dispute, with the peculiar problem of the terrorists? Are you going to drop a bomb on the POK? *(Interruptions)*

SHRI NARENDRA MOHAN (Uttar Pradesh): Sir, are we discussing the Budget or are we discussing the nuclear explosions?

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): It is all right. He has dilated a bit. But he is saying about the impact of it on the economic scene.

SHRI NARENDRA MOHAN: But he is saying things like "Are we going to drop the bomb on POK' and so on. All these things do not come under the Budget discussion.

SHRI N.K.P. SALVE: Probably my friend does not know that anything under the sky can be discussed in the Budget discussion... *(Interruptions)*

SHRI NARENDRA MOHAN: But I think that a senior Member like you...

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): No, Mr. Narendra Mohan. He is talking about the defence preparedness and from that he has brought in the aspect relating to nuclear explosions.

SHRI N.K.P. SALVE: Do you think that it is all not very relevant?

SHRI NARENDRA MOHAN: It is relevant to the extent that you mention what the financial implication because of all this is...

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): Mr. Narendra Mohan, let him have his say.

SHRI N.K.P. SALVE: I don't want to be harsh on him. He is a friend of mine. But let him please have some patience. The Finance Minister, very rightly asked me and I will reply to him. These are very important aspects of the Budget. These are very important aspects of finances. Do you think that the Government has no drained itself substantially because of these nuclear explosions? It is not the right of the Members of this House to ask whether or not this Government should have taken full advantage of the development of the nuclear weaponisation capability? It is most unfortunate. Sir, as I was submitting to you, as far as Kashmir is concerned, the whole nation has stood by successive Governments in whatever steps they thought proper to be taken to quell, to put an end to, terrorism. So far as Kashmir is concerned, there can be no two opinions in this country. To the last man, everybody will stand behind this Government because Kashmir, Sir, is an inalienable part of India. It will remain so and it must remain peaceful. For that purpose, you are certainly entitled to take any action that you want. The only thing is that it should not have been linked with the explosions—that is the only point which I am making—because what it has led to. Hasn't it led to internationalising the issue? Pakistan exploded the bomb; then it goes to the Security Council. Well, in a way, the Security Council has dilated the stand by saying that the two of us should sit together. But the Security Council has no business to come and interfere in our matter. Third party intervention goes against not only the letter but also the spirit of the Simla Agreement. Then the two of us must sit down and try to sort out the matter. But I think, so far as the dispute is concerned, it only relates to that part of the area, which is, Pakistan occupied Kashmir, and only to determine how it has to be vacated. I am delighted that the Chief Minister of Jammu and Kashmir, Shri Farooq Abdullah, retorted very well to the Prime Minister to Pakistan and told him very clearly, "Please don't be overamitious. The only dispute that exists between you and us is about the vacation of POK; nothing more, nothing less; only that much. Therefore, Sir, as far as that is concerned the point that I want to make is, we should not have dragged the

Kashmir issue into this and linked it with the explosion and because we linked it with the explosion today, it is running the risk of being internationalised. As to sanctions I would have come a little too heavily because no cushions have been kept in the Budget for the sanctions. It is likley, if the desperately needed funds for infrastruture projects are impeded or delayed, then it is certainly likely to adversely affect your growth. The entire figures that you have taken, the Budget figures, are on certain assumptions of growth. And if those very figures of growth are found to be illusory, then all the Budget figures will go haywire. Then it is very likely that the entire Budget will appear to be topsyturvy. But I do not want to come upon you too heavily for that, as Dr. Manmohan Singh came on you, only for one reason. I read an article by Prof. Ralph Buultjens, a Sri Lankan, a professor at the New York University, a friend of India, very well informed of the affairs of India, and he wrote an article, "India Crosses the Rubicon" which was published in 110 newspapers. This is what Prof. Ralph Buulatjens says, "After the Iraqi experience, the political commitment to enforce another assortment of penalities, especially upon a democratic nation is unlikely to be overwhelming. With some finesse, then, the sanctions issue can probably be resolved before it proves too damaging, very heartening, Mr. Finance Minister. "However, to do this, the BJP coalition will have to improve its diplomatics skills. In general, the BJP is more comfortable with rhetoric than with negotiations. Shouting in the streets and other populist exhibitions of triumphalism are psychologically elating but do not solve problems. The principal task of Indian diplomacy is now to prevent American policy from becoming reflexively anti-Indian and a captive of the energetic Pakistan lobbies that infest Washington." That is why I do heartily hope, Sir, that we are able to tackle the problem of sanctions efficaciusly with our diplomatic skills and with a finesse.As it is I have submitted that the Budget figures are not optimistic for revival of our economy. It is not investor-friendly. But even if those figures go haywire, I do not know, I shudder to imagine what will happen to this country. I only hope as far as sanctions are concerned—what he has thought about sanctions that he will be able to get over them either by proper diplomatic negotiations or by ensuring that the flow of funds, which is necessary for the development of the country, is not impeded. May I, therefore, venture to submit that if he really wants the economy to revive and revive very fast, I am making bold to give a few suggestions. He is a very able Finance Minister. In humility I want to make these suggestions to him so that if there are inputs and if he considers, may be even now, he might be able to do a few things. Why doesn't he announce immediately that buy-back of shares of the corporates would be allowed? Why does not announce that the capital gains tax shall be abolished. As it is, the collection from capital gains tax, Mr. Finance Minister, is not much. You are wanting to build the housing industry. Will the housing industry ever revive? Will the entire growth process ever revive? Cement will be needed, steel will be needed, more employment will come about. It is important and it is significant that he has taken quite a realistic approach towards reviving the housing activity. But that is not enough. If you want the housing industry to be revived, please allot to it the status of infrastructure industry. An income from house property constructed after a certain date should have its income exempted from taxation to income tax of house property for a period of 15 years. Sir, I will just refer to two provisions of the Income Tax Act which have distressed me a great deal. In para 19 of his Budget, the Minister has stated and I quote now from the Finance Bill.

"I recognise that the direct tax policy must impart stability and confidence, both of individuals and corporates. Therefore, any uncertainty in this regard must be ended"—a very commendable view. And in the light of this view, that

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you want stability, Mr. Finance Minister, I am going to point out that two ameandments of the Income-tax Act militate entirely against the concept of stability. Stability of direct tax laws, I submit, is very vital because a stable fiscal policy to a nation is what a stable family life is to an individual and, therefore, the stability part is something with which we go whole hog.

Mr. Palkhiwala wrote a preface in the Eighth Edition and this is what he writes—and he is the greatest authority I have known in our times on Income Tax, Sir—"Today the Income-tax Act, 1961 is a national disgrace"—I am not blaming you again, but the fact remains that the Income-tax Act, 1961 is a national disgrace—"There is no other instance in Indian jurisprudence of an Act mutilated by more than 3,300 amendmeants in less than thirty years". By now there are over 4,000 Mr. Finance Minister. Therefore, in the light of this, these two amendmeans that I am referring to, have to be deleted.

The first one is Section 56 of the Income-tax Act which deals with tax on income from residual sources as income from other sources is being enlarged to tax artifically treating gifted receipts as income, which is anything but income. The presumptive income to be taxed by the amendment is , "value of any movable or immovable property received on or after 1.10.1998 by any person without consideration in money or money's worth". This means that after abolition of the Gift Tax on 30th September, 1998, the gift received would be an income of the receipient. This kind of presumptive income is outside Entry 82 completely—Entry 82 of the Union List of the Seventh Schedule of the Constitution. The amendment is void, vague, uncertain and unnecessary, It introduces a nebulous concept of income when the recipient does not receive any income whatsoever. The Section is patently unconstitutional. But if I may point out a very preposterous dimension of this kind of an amendment which the Finance Minister may not have considered is — and I am only pointing out one of them—Section 64. Section 64, *inter alia,* provides that any property transferred by an assessee to his spouse, his son's wife and minor son, so far as this income is concerned, is taxable in the hands of the transferer and not in the hands of the transferee. You may tax the monies and properties transferred to the spouse, his son or a minor son as gift tax if you want to. But so far as this income is concerned, it is to be taxed in the hands of the transferrer and not the spouse, not the son's wife and not the minor son. Now, after you have enacted this law, Mr. Finance Minister, what was the situation? The entirety of the receipts would be taxed in the hands of the recipient, whether it be spouse, whether it be son's wife or whether it be the minor son and that having been taxed in its entirety as the income of the recipient, the income would still be taxed under Section 64 in the hands of the transferrer. This is only one of the anomalies that I am pointing out to you. There are many more that I can come to. Therefore, I submit that I have no doubt that it will also be struck down as unconstitutional. I am not saying it merely for the sake of parliamentary rhetoric. I would urge upon the Finance Minister to get the legal position also properly examined in this matter.

Ultimately what I have to say is a more serious and deeper objection than this, Mr. Finance Minister, and it is that gift has to be taxed uniformly. In this what will happen is that gift, which is treated as income, the same gift, the same amount, for example, a lakh of rupees transferred by A to B, will have a different impact than the gift transferred by A to C or A to D and what will happen is this. As you very rightly complained, ten crores of rupees is not worth keeping the Act going and you are, therefore, abolishing the Gift Tax Act from the 30th of September, 1998.

7. P.M.

If you want to keep this kind of a provision, I rather submit that you keep

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the gift tax going and rationalise the rates of taxation. The present rates of taxation very from 5% to 75%— preposterous! When Mr. Chidambaram reduced the rates of taxation of income in the 1997 Budget, the entire nation looked upon the Budget as a dream Budget but it turned out to be a nightmare. It is a different story and that is a very unfortunate political sage behind that kind of a thing. But, this Finance Minister also commented upon the rates which came in 1997 as moderate and he does not want to change them . If this is the situation why do yo think of changing the Gift Tax Act? keep it as it is rather than have this kind of dubious provision in the Income Tax of presumtive income. I can submit, Sir, with my little experience of three decades in taxation world that any section which brings to tax a presumptive income is a matter of dispute and headache and in this connection, I quote a very distinguished Law Lord, Lord Macnaughton; Income tax, if I may be pardoned for saying so, is a tax on income. It is not meant to be taxed on anything else, it is one tax, not a collection of taxes essentially different. Therefore, please do not bring any Gift Tax as Income Tax.

Another serious objection that I have to raise...

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): Mr. Salve, how long will you take?

SHRI N.K.P. SALVE: Less than five minutes, Sir.

Clause 7 of the Finance Bill contemplates deletion of two very important Sections. I have written a letter to the Finance Minister. If I have to receive a reply, it might be better to speak on the same. He is deleting Section 10(22) and 10 (22A). These two sections provide for exemption from Income Tax for educational and medical institutions which do not exist for purposes of profit.

Sir, the reason given in the memorandum explaining the provisions of the Finance Bill for deletion of these two Sections is that in the absence of any monitoring mechanism for checking genuineness of the activity, these provisions are reported to be widely misused. Sir, this is absolutely untrue and incorrect reasoning because the same memorandum further says that now medical institutions, educational institutions will have to go in for exemption under Section 11 and Section 12 and that they will be better monitored. Under the Income Tax law the procedure for monitioring for Section 11 & 12 is the same as that the 10(22) and 10(22A), Mr. Finance Minister. Issue a notice to file a return under Section 139 to any institution, educational or medical which you think is indulging in nebulous activities and is abusing the provisions of exemption. Just issue a notice under Section 139, one is compelled to file a return. There are a large many sections including Section 142 where you can ask them to go into inquiry, genuineness of their activities and find out whether exemptions are being abused or not. But there are reasons, I tell you, very serious reasons why this has come about. This is not for the first time the bureaucrats in the Income Tax Department have tried to delete this exemption. They have been trying for quite some time and they have brought it now. I am sure, if you had understood the implications, you would never have succumbed as the earlier Finance Minister did not succumb. The real story is something else. Section 11 and Section 12 are far more onerous for compliance purposes. It starts again with registration with the Commissioner. You cannot spend income beyond a certain point. You have to invest in Government securities and things like that. It is far more onerous. But the real purpose is that income Tax officials want to have a control, some sort of influence on this kind of institutions. They have been trying and it is a very unfortunate thing. I am talking with a great deal of responsibility. It is my experience. Income Tax officials have felt at various places hamstrung! Because of Section 10(22) and

10(22A) they have not been able to exercise any undue influence on mission institutions particularly for admission purposes.

There is no other reason. If any one is abusing this exemption, Mr. Finance Minister, for God's sake, go for his throat. If the Department, if any, is to tell you that the Department does not have a monitoring mechanism, it is cheating you and is telling a lie, a blatant lie. I am willing to confront. Anyone who is coming in front of you, I am willing to come to you anytime you would summon me to bring to your notice and make it clear to you that provisions of sections 11 and 12 are the same as those of 10 (22) and 10 (22A) excepting that the exemption is very facile. It is more reasoning and no harassment can be caused to genuine institutions. Here genuine, non-genuine and everybody would be subjected to harassment which I am sure is not the intention of the Finance Minister. In the end, therefore, while requesting him to delete these two sections, I want to read a judicial dictum by a distinguished judge and which has become a classic commentary on the laws of taxation on income. Sir, I am immense faith in this Finnace Minister, so I have taken pains to do this because I do not want this to go on as it is. The economy is in a very bad shape and it is burdened with problems. But, the bureacrats instead of helping him out, should not put him into this kind of a difficulty which will make him more unpopular. Sir, the learned judge said, "In thickets so dense and statute laden as the law of Income Tax, common sense is, I suppose, a frail guide. Certainly it cannot become the master, for then it would usurp the function of the statute book. But in territory which remains unoccupied by either statute law or case law, I do not see why common sense would be abjured." On the advice of your bureacrats, please do not abjure common sense. Please do not subject these institutions, mission institutions, who have rendered yeoman's service to the human sufferings and to the cause of education. Please do not bring them under sections 11 and 12 unnecssarily when you can always check any abuse or misuse of 10 (22) and 10 (22A) under the normal course. Thank you very much, Sir.

SHRI VEDPRAKASH P. GOYAL Maharashtra: Mr. Vice-Chairman, Sir, at the outset, I must congratulate the Finance Minister for this Budget in which the Opposition is finding so difficult to pick holes. The maiden Budget of the BJP-led alliance has been dubbed by the Opposition as pedestrian Budget without spice. After tasting the last year's dream Budget, it is quite natural to find it spiceless. A hungry man can live without spice but he cannot live without bread and salt. What this Budget has tried to give is bread and salt, without spice. That is why I congratulate him. For the first time this Budget acknowledges the fact that more than two-thirds of the country lives in villages and small towns. The bulk of its wealth is generated in farms and fields and in small and tiny industries. India's service sector, unacknowledged and uncared for, which has a tremendous potential, has found its due recognition as long last. Once again, for the first time this Budget not only acknowledges the need to overlap both physical and social infrastructure but also it acually allocates greater resources. Be it power or irrigation or roads or health or housing, the devlopment of India needs to be seen in totality. This Budget does not exclude the less fortunate of our people as global Budgets and dream Budgets have done. On the contrary, it emphasises the need to protect that section of our society which is the poorest and the weakest.

In 1991 when Dr. Manmohan Singh, who is the hon. Leader of the Opposition today in this House, liberalised the economy,- not out of faith but out of compulsions created by the previous successive Congress Governments—we welcomed it. Right from the days of Jan Sangh to which we belonged earliere, we

believed in unshackling the Indian economy from bureaucratic controls. We had opposed and are still opposing the State-controlled doctrinaire approach to managing the economy. But, after liberalising the economy on paper, changes were not dovetailed into the system; nor were the impediments to an all-round growth removed.

Sir, along with liberalisation, the Government of the day also tried its hand at globalisation. We opposed it. The experience of the last eight years shows that we were right in opposing globalisation. The Government put all faith in foreign investment and rolled back Government expenditure. They ignored the potential for local investment. They spurned India's indigenous talent and resources. And, what did we achieve? Local industry was pushed into recession; small scale sector was almost destroyed; agricultural output declined and overseas suppliers were allowed to dump their products on us. They prospered and the Indian Industry suffered. We were left to fend for ourselves; we could not. There was no level-playing field. it was an advantage for the foreign industry. The poor became poorer; the underclass expanded — more than a third of India's population today continues to live below the poverty line. The employed became unemployed. The vocal may have gained something and may have improved their lot but the large majority of India has suffered.

And what about Mr. P. Chidambaram's 'dream' Budget? It turned out to be a nightmare. We all have seen the Economic Survey. We know the state of the economy left behind by the last Government. The facts are worrisome. The overall economic growth has slowed down to 5% in 1997-98; agricultural growth was negative with foodgrain production dropping to 194 million tonnes from 199 millon tonnes in the previous year; export performance was weak for a second successive year, recording growth in Dollar terms of less than 3%; the fiscal deficit worsened to 6.1% of the G.D.P.; the capital market remained in the doldrums and the infrastructure bottlenecks continued to plague the economy. It was at this benchmark, full of failures on every front, the hon. Finance Minister had to balance his Budget.

As I said, this year's Budget is not a 'dream' Budget; it is a salt and bread Budget. It is a Budget born out of our political conviction that India can become self-reliant. it is in tune with our commitment to build a new India, a resurgent India; an India of equals and a prosperous India.

Sir, I would remind the hon. Members, through you, that this Budget relfects the major guiding principles of the economic agenda spelt out by the B.J.P. in its Election Manifesto and taken over into the National Agenda for Governance of the present Government. Some of the points are (i) Reserve the decline in agriculture and strengthen the rural economy; (ii) greater protection for domestic industry and a review of the schedule and pace of liberalisation charge of protectionist Budget has been levied.

What is the stigma in being protectionist? It is our country's industry which we have to protect first. All over the world, even the developed countries protect their economy and industries.

(iii) Greater involvement of the Government in infrastructure while recognising the limitations of private investment.

(iv) A departure from the trend of cutting plan expenditure by previous Government to contain the fiscal deficit. Reactivation of public expenditure to pull the economy out the demand stagnation. Some increase in inflation should not alarm us. A developing economy, by its very nature, is inflationary if the available resources are not abundant as in rich and developed countries. What is the inflation rate in Japan? It is two per cent, while the development there is already saturated. There is no more development now.

(v) Involving the private sector in insurance and rationalisation of the banking sector.

(vi) Enouraging FDI flows in priority areas and restricting it in areas where domestic indusry is performing well.

Sir, now, I would like to draw the attention of the House to the key thrust areas of the Budget areas that, I am sure all Members will agree, are close to our hearts:

(a) The proposals provide for a 21 per cent increase in the Plan outlay for agricultural and allied activities, rural development and irrigation for the first time in 10 years; (b) Plan Outlay in key areas of infrastructure like energy, transport and communication is up by some 35 per cent in the 1998-99 Budget estimates. This is very positive, particularly in the light of the severe strains on Government finances. It is widely acknowledged all over the world that investment levels in telecommunications is the barometer of a country's ability to meet the challenges of the coming century. Here, I will take up only a few examples where the allocations have increased by nearly 40 per cent and more — Agriculture & allied areas: 40 per cent, irrigation and food control; 39 per cent, Energy: 42 per cent, from Rs. 24,000 and odd crores, revised estimates are Rs. 21,000 crores. Now it is taken up to Rs. 30,000 crores; Communication 34 per cent, Science & Technology and Environment; 41 per cent; General Economic Services: 42 per cent; Fertilizers—which is the need of the country 57 per cent; Civil Aviation and Tourism 41 per cent. Ours is the only country in the world where there is lowest income from tourism. There is so much scope; yet our income is very low. So, investment in this sector has been stepped up. (C) Food and shelter are primary requirements. This Budget breaks a new path by proposing 20 lakh new dwelling units, out of them 13 lakhs in rural areas. Once again,

we see that the focus is on rural India. Accelerated housing projects across the country will have three positive effects on the economy:

(i) Generate employment opportunities at the local level, thus providing jobs and checking migratory trends; (ii) it will revive two core sector industries—cement and steel, which used to be our strength, but now have become our weakness; (iii) there will be downstream indirect employment.

Similarly, increased spending on roads and highways will generate employment and give a boost to local enterprise, apart from strengthening our physical infrastructure, so badly needed. In addition, the import duty concessions available for importing equipment for construction of National Highways have been extended to other road construction projects. There is also a provision in this Budget to provide for Rs. 5 billions for the National Highways Authority of India to fund the new projects. We have come out of an era of lip-sympathy to actual steps.

Sir, the most vital input for industrial and agricultural growth is power. This Budget proposes to accord power generation, transmission and distribution their rightful priority. I do not wish to develop this point. So much has been often said, written and talked in seminars.

For Small Scale Industrial Units, the capital ceiling has been raised to Rs. 4 crores. Small Scale Industrial Development Bank of India has been delinked from IDBI. SIDBI will now work in partnership with State Finance Corporations. Tax concessions have been proposed for small scale industrial units.

Level playing field for the Indian industry through selective tariff barriers, and increase in custom duties, has been done. Each nation has to protect its own industry. Foreign Direct Investment will be encouraged. FDI proposals will be cleared in 90 days. Monitors will be appointed I hope this will fill up a big gap. All this only shows that this Government is committed to the emphasis on implementation, rather than on revised estimates showing inability or lack of

effort to use the allotted funds. The attempt is to remove the existing hassles and impediments. Till now, we have had very good proposals, but they have failed precisely because of thse hassles and impediments.

This Budget proposes to mobilise resources for infrastructure development in a creative manner that will be beneficial to both Government and citizens. For instance, to further channelise resources into private sector infrastructure projects, the Government has proposed to change the investment pattern followed by Indian Provident-Pension Funds. Hitherto provident funds were not permitted to be invested in the securities of the private sector infrastructure projects. The trustees managing these funds are now allowed to invest up to 10 .... (*interruptions*)

SHRI VAYALAR RAVI: What is the guarantee that money is being invested?

SHRI VEDPRAKASH P. GOYAL: The fact is that millions of other investors are putting their money in the projects and if that is guaranteed, this is equally guaranteed. I have said here subsequent to this that this is again a very progressive long-term reform announced by the Finance Minister. With a word of caution, I would urge upon the Government and strongly appeal to the Finance Minister in particular, to work out adequate safeguards to ensure that the hard-earned money of the wage and salary-earner is protected from the vagaries of investment companies.

Till now, Sir, we have been only appealing of the patriotism of Mother India's children living abroad. Now, through this Budget concrete steps have been proposed to enable them to help the country of their origin where their heart lies. If China could successfully tap the resources of overseas Chinese, as mentioned proudly many times, and if they could strengthen their economy, there is no reason why we cannot have faith in our own people abroad. This is an attempt for the first time. There is a great enthusiasm abroad and a commitment to face the challenge of sanctions and restrictions by some rich countries, which are being talked about. We will see whenever these sanctions are imposed. The Indians abroad are prepared to play their part in facing this challenge whenever it comes. Right now, even the U.S. Government is dithering on this. They have not been able to make up their mind on the question of sanctions because they have also to protect their own commercial interests.

Sir, NRI investments in the equity of Indian companies is sought to be encouraged. Investment limit in the equity of an Indian company by an individual NRI/NRI OCB has been raised from 1 per cent to 5 per cent. Aggregate NRI/NRI OCB investment limit in Indian companies has been raised from 5 per cent to 10 per cent. The Government should not hesitate to revise it further upwards, after getting the experience from this increas which has been made.

There is a review of procedures to facilitate investment by NRIs. in the Indian capital market. The secondary market would also get a boost from this. Both the UTI and the SBI are to launch equity-linked insurance scheme/foreign currency denominated bond scheme, respectively, for NRIs. and for indigenous investors. There has been criticism of the disinvestment policy. Sir, I am a strong protagonist of the revival of sick PSUs. Here, I would like to draw the attention of this august House to the Government's decision to increase the VRS money so that the workers of totally irrevivale units are not inconvenienced as at present.

[THE VICE-CHAIRMAN (SHRI SANATAN BISI) *in the Chair*]

Sir, I have a proposal for the consideration of the Government. Many PSUs. have huge assets like land, office space, factory sheds, etc., which are very sparingly used. They are lying practically unused even in metropolitan towns. They should be given the freedom to sell these

assets and use the funds for modernisation and revival. Successful companies should be encouraged to enter into strategic alliances with successful PSUs. for a mutually beneficial relationship, like the Navratnas; and private sector companies like Larsen and Toubro.

In this connection, I would like to point out that the performance of the previous Governments on PSU disinvestment was very miserable. Dr. Manmohan Singh planned to get Rs. 7,000 crores. The amount which he got during his period was only Rs. 357 crores. Mr. Chidambaram targeted for Rs. 5,000 crores. He got a big zero. In his next Budget, again, he planned to get Rs. 5,000 crores, but ended up with just Rs. 600 crores. It was this dismal performance which the hon. Finance Minister has tried to reverse.

I would like to submit that what happened in those days reflected their lack of commitment and effort. In fact, they seemed to have been oscillating between leftist idealism and rightist reality.

Then, Sir, I would draw the attention of the House to the mamooth hikes in social infrastructure spending. Never before has any Government increased the spending on welfare by as much as 91 per cent; on education, by 50 per cent; and, health, by 34 per cent. Our goal should be to make India a nation free from the twin curse of illiteracy and disease. These hikes, although modest, compared to the gigantic tasks ahead, reflect the Government's resolve to free India from the scourge of illiteracy, hunger and disease. Lastely, I appeal to the Opposition not to obstruct the Budget but see it as the first step towards a paradiign shift in India's development programme. This is not the end of the world, but this is just the beginning of a system. The next year's Budget and those of the following years will lead India into the new millennium as a strong and prosperous nation, self-reliant and self-confident.

One more last thing is that I have learnt that the UTI is launching two novel funds to attrat domestic investment which is also badly needed.

With these words, I welcome the FM's laudable efforts to change the focus of thinking.

I must thank you for giving me time to make my points.

SHRI SOLIPETA RAMACHANDRA REDDY (Andhra Pradesh): Sir, while welcoming the budget for 1997-98, I want to say that the Budget presented by the hon. Finance Minister, Shri yashwant Sinhaji, gives us happiness and also unhappiness. It is like "UGADI PACHCHADA" which is prepared to "UGADI", the New year Day of Andhras. उदादी पचड़ा में इमली की खटास रहती है, नीम के फूल की कड़वाहट भी रहती है और गुड की मिठास भी रहती है। And it is a pious one on the Telugu New Year Day.

The total income and expenditure has been increased. The outlays under different heads have been enhanced considerably. This gives us happiness. The imposition of, and the increases in the excise duties may cause burden to the common man. This may bring unhappiness.

Even though the Finance Minister is sincere in his efforts to bring down the inflation rate and the Budget deficit, I am afraid he may not succeed in this.

Though I welcome the Budget, I must say that it is not a promising as we expected of it. I appreciate and compliment the minister for the enhancements in the outlays for health, educaiton, housing, drinking water, old-age pensions, sanitary toilets etc. which are beneficial to the poorer sections.

The States are demanding 50 per cent of the total receipts as the States' share in the plan and non-plan assistance. The budget has allocaeted only 30 per cent share. I earnestly appeal to the Government to increase the States' share as the states are in financial distress.

For every Rs. 30/- we get by internal and external borrowings, we spend Rs. 24/- as interest on the borrowings. So, out of every Rs. 30/-, we save only Rs. 6/- for our development programme.

We do not find money for our development and welfare programmes. Our NRIs are laging behind in coming forward to invest in India, compared to Chinese non-residents. The Government should create an atmosphere, an environment, to atract NRIs, and it should persuade NRIs consistently to invest their huge monies in our country.

Huge amounts of direct taxes, excise duties and customs duties seem to have been locked up with industrialists and big business houses due to legal litigations. I appeal to the Minister to take immediate, necessary steps for recovery of these amounts.

Even today, 70 per cent of our population lives in villages. Rural development and poverty alleviation are of utmost concern to all of us. Industrial development also suffers in the absence of economic upliftment of the rural areas.

I congratulate the Government for enhancing the allocation for rural development by Rs. 816 crores and that for irrigation by Rs, 374 crores for 1998-99.

It is an admitted fact that most of the money is not reaching the beneficiaries. hence, I request the Governemnt to keep vigil and to take stringent measures to implement the poverty allevation programmes effectively and properly.

In view of the large tracts of wasteland areas, the allocation of Rs. 101 crores in the Budget is not sufficient. I request the Minister to increase the allocation by at least Rs. 200 crores.

Sir, I congratulate the hon. Minister for raising the level of tax-exemption from the existing limit of Rs. 40,000/- to Rs. 50,000/-. Though the tax-payers at the lower level are happy with this, they expected that the tax-exemption limit would be raised to Rs. 60,000/- which would have been, in my view also, a much happier position.

The hon. minister's proposal to make the tax return "SARAL" is laudable. But he should personally see that it is made "SARAL" and that it is not converted into "KATHIN" again. Sir, I wholeheartedly welcome the enhancement of allocation to agriculture in the budget from previous years' Rs. 2,066 crores to Rs. 2,854 crores. We have sufficient potential to become agro-power NO. 1 in the world. Due to continued negligence, we could not achive maximum progress. Yields of different crops are much less, when compared with several other countries.

Keeping in view the recent deaths of cotton growers in Andhra Pradesh and in other States, I urge upon the Government to provide adequate credit to farmers in right time so that the farmers need not go to private money-lenders for loans at exorbitant interest rates.

I welcome the model scheme for issue of Kisan Credit Cards to the farmers. This may help farmers in avoiding unnecessary delay and corruption at lower level.

The crop insurance scheme in force is not at all helpful to large sections of farmers. Therefore, the Government should modify crop insurance scheme covering all farmers, all crops and village as a unit should be introduced to protect the interests of farmers.

Farmers of Andhra Pradesh are subjected to sufferings due to frequent occurrence of cyclones, tidal waves and droughts. The paddy producers of Andhra Pradesh are demanding a bonus of Rs. 60/- per quintal for the paddy and rice procured in Andhra Pradesh.

Our Chief Minister, Shri Chandra Babu Naidu, has put forth some proposals before the hon. Prime Minister and the Agriculture Minister to help the farmers, who are in distress. I request the Government to approve those proposals.

We also seriously feel that the proposed enhancement of prices of urea should be with drawn completely, as 80 per cent of our Indian farmers are small and marginal. Further, to restore the balance of N.P.K. to crops, I humbly request the Government to help the farmers by increasing the existing subsidy on phosphate and potassic fertilisers.

Farm extension is a very important activity, which has been neglected all these years. I suggest the Government should see to it that at least one Krishi Vigyan Kendra is established in each district. In my State, Andhra Pradesh, seven districts are still left without Krishi Vigyan Kendra. Our Chief Minister has already requested for establishment of Krishi Vigyan Kendras in those districts.

As all of us are aware, the public sector played a dynamic key role and has brought pride to the nation by putting India as one of the highly industrialised countries of the world.

Some of those public sector industries, particularly in Andhra Pradesh, the I.D.P.L., H.C.L., Ramagundam Fertlizer Factory etc. are seriously affected and are at the verge of closure.

Our Chief Minister is pursuing with the Government of India for the last three years to come to the rescue of these industries. I appeal to the hon. Minister for Finance to allot sufficient funds to revive these industries.

Regarding Visakapatnam Steel Plant, on the request of our Chief Minister, Rs.542 crores loan has been converted into equity, thereby saving the Visakapatnam Steel Plant from being referred to B.I.F.R. We convey our sincere thanks to our Prime Minister for accepting the suggestion of our Chief Minister. The Visakapatnam Steel Plant can be financially more viable, if the Government of India takes necessary steps to set up a second steel melting shop.

Visakapatnam Port is congested in spite of its good performance Our State Government desires to develop Gangavaram minor port. This will be quite useful not only for export of steel froms steel plants, but also will be of great use for import of coal and other feedstock materials for the two thermal power plants shortly coming up at Visakapatnam. So, we suggest that the Government of India should make available at least Rs. 1,100 crores out of surplus land available with the steel plant.

I extend my hearty congratulations to the Finance Minister for increasing the outlay on Education by 50 per cent. I am confident that the Minister is intending to further increase it to 6 per cent of the G.D.P. It would not be out of context to quote the Human Resource Development Minister, who is to implement the education programme. "The Union Minister for Human Resource Development, Dr. Murli Manohar Joshi, today admitted that the 50 per cent increase in the Budget allocation for the education sector was more apparent than real. Addressing a press conference here today he conceded that a significant portion of the hike would go towards the payment of increased salaries of university and college teachers and not much would be available for improving the infreastructure or other activities. Of course, he also said the problem would be confined to the current financial year alone on account of arrears."

The enhanced allocation for this year should be available for education sector only and not for arrears. I request the Minister to allocate more funds exclusivelty for payment of arreas, if any. Ever since the Government of India decided in principle to adopt the poverty ratio as estimated by the Expert Group, the Lakdawala Committee, the Andhra Pradesh Government has been contesting it on the ground that Andhra Pradesh would get less than its entitlement under the targeted public distribution scheme as also under other anti-poverty programme such as the Jawahar Rozgar Yojana, IRDP, etc. This would happen not

because Andhra Pradesh is less poor, but because the price index used in the case of Andhra Pradesh is significantly depressed by the large rice subsidy scheme implemented by the State Government.

Our Chief Minister has been requesting repeatedly for the purpsoe of central allocations, reestimating of the poverty ratio by eliminating the price depressing effect of subsidy programmes operated by the State Government.

Meanwhile, I urge upon the Government to kindly continue with the arrangement of determining the entitlement of status for anti-poverty programmes, JRY, IRDP, etc., as per the poverty estimates made by the task force official. Mr. Vice-Chairman with these words, I thank you once again.

SHRI V.N. GADGIL (Maharashtra) Mr. Vice-Chairman, Sir, I look at this Budget from the point of view of a common man and not from the point of view of an economic expert. Although I had graduated in economics from the world famous, London School of Economics, I don't claim to be an economic expert. I would like to look at this Budget from the point of view of a common man becuase my experience of life has been that it is the unletered common man with his native intelligence has a greater insight into the economic problems than some of the so-called experts. I will illustrate this by the experience of a friend of mine, who is a professor in economics in Mumbai. He teaches in a college as to how the interest rate fluctuate, how share bazaar goes up, how bank rate operate. He learnt all these things from books. He had no practical experience. One day he was travelling in his car from Mumbai to Pune, my district. On the way, the car broke down. He was coming out of the way road, not the National Highway. he looked around to locate someone who could repair his car, but he could not. So, he was wondering how he could reach Pune. So, a farmer from my district was going in his bullok cart. So, the professor requested the farmer, "I want to reach Pune, can you give me a lift?" The farmer told the professor, "Welcome, come along." After a few minutes, the professor asked the farmer, "How much time would it take to reach Pune?" The farmer told him, "It will take at least 1½ hours." The professor told him, "It will take 1½ hours to reach Pune. I will be wasting my time. I am an intellectual person, I cannot waste this much time. I must have some intellectual work for 1½ hours." the farmer told him, "I am an illiterate farmer, what intellectual work can I give to you?" The professor told him, "We will play a game. I will put a question to you. If you can give a reply, I will give you Rs. 10. It you cannot reply, you will have to give me Rs.10." The farmer told him, "You are a man from Mumbai, having a car. You are a rich Rs.10." The professor told him, "All right, if you lose, you can give me Re. 1 and if I lose, I will give your Rs. 10. So, the farmer told him. "All right, put a question." The professor told him, "I am an intellectual person. I am M.A. PHD. I have learnt thousands of things. I read several books. You are an illiterate person. I will give you the first chance to put a question. The farmer told him, "I will put the question. But you will laught at my stupid question." The professor told him, "No, no. I will not laugh. please put the question." The farmer told him, "My question is simple: Which is that animal which walks on the land, climbs a tree, swims in the water and flies in the sky, does all the four things?" The professor scratched his head for several minutes, recollected all the books he read and ultimatley he told him, "Sorry, I cannot find an answer to your question. Here is your Rs. 10. note" Then, the farmer told him, "Now, it is your turn to put a question." The professor told him, "I will put the same question : Which is that animal which walks on the land, climbs a tree, swims in the water and flies in the sky, does all the four things?" The farmer told him, "To tell you the truth, I

also do not know the answer! But as agreed? I will give you Re.1" So, an illiterate farmer from my district made a profit of nine rupees from a Professor of Economics. Therefore, I want to look at the Budget from the point of view of a common man. From the point of view of a common man, this Budget is the most pedestrian, unrealistic, unimaginative, complacent, directionless and shapeless. It is not a coalition Budget. It is a BJP Budget. i will try to substantiate my point. But what is worse is that it is a typical bureaucratic Budget, a *babu* Budget. I wlll explain both these things. But before that, I would like to make some general remarks. The first observation that I would like to make is that the whole Budget is dangerously based on very generous, unjustified assumptions about the rate of growth, the rate of industrial growth, the extra budgetary resources and several other things. The total capital expenditure last year was 3.7 per cent of the GDP- In this Budget, the capital expenditure is 3.6 per cent of the GDP. There is no increase So, where is the stimulus? Where will it come from when there is not enough capital expenditure Budget? The capital expenditure increase is 9 per cent. The increase in borrowing is 14 per cent. So, what will be the consequences which were very ably mentioned by Dr. Manmohan Singh? The price of petrol was increased. It will affect severalk sectors like the balance of payments, It will affect several sectors like the balance of payments, and therefore, basically, the Budget is anti growth. There is no stimulus and there is no encouragement for industrial activity to increase.

Secondly, as has been pointed out by several speakers, this budget is basically inflationary and with the fiscal deficit of the order that he has mentioned, it is going to increase still further. With the increase in excise rates and Customs duty, the Budget will produce an inflation of the order of double digit in less than few months. In respect of balance of payments also, there is a problem. The rate of growtn of exports is reduced to two per cent and the figure for April is minus ten per cent. So, this is a situation on the balance of payments side.

SHRI YASHWANT SINHA: Mr. Gadgil, that figure of minus ten per cent relates to last year.

SHRI V.N. GADGIL: As far as I could gather, I found it for April this year.

SHRI YASHWANT SINHA: You look at it again.

SHRI V.N. GADGIL: Now, he is relaying much on the NRIs. I want to warn him. What was the experience of the NRIs in 1991? They were the first to withdraw. So, don't assume that very patriotically they will come to your help. That has not been the experience. The experience has not been encouraging. Therefore, this excessive dependence on the NRIs is also dangerous. Similarly, you have quoted the figures doubling the external assistance. What is the basis for that? I do not know. Then again you have made two policy announcements. One is about allowing the private enterprise in insurance and you have also referred to a private Indian compnay. I do not know what the definition of a private Indian company is. If it means a company registered in India, if that is the definition of a private Indian company, then there is a danger that foreign capital will come through a company registered in India. Then you have said something about the PSUs and disinvestment. Is this the right time? Will you get enough response? I am very doubtful about it. As regards disinvestment, you have not spelt out the methodology, the system by which you will go in for this. I would like to know wither you will have a Disinvestment Committee or some such machinery...And the main question that I want to ask of the Finance Minister is: Do you think that this is the right time for disinvestment? Will you get enough respons? Therefore, the scenario, as the common man sees, is one of ambitious assumptions about extra budgetary

resources, high inflation, low growth, lack of public resources, adverse balance of payments, high interest rates, drawing up of domestic private investments. This is the scenario which it is likely to create. And if the revenue target is not met, the only two alternatives will be cut in public spending, which means less growth, or deficit financing, which means inflation. This is the danger I am seeing.

I will not say much about sanctions becuase you are claiming that sanctions will not affect us. I doubt. They are going to affect various factors. I don't think enough preparation is made to meet such a situation.

Sir, as I said, the Finance Minister has promised—and he is taking us towards it—'a new India'. What is the 'new India'? The 'new India' is where the Petroleum Ministry does not know what the Finance Ministry is doing! And you see the whole petrol fiasco. I concede one thing to you. Usually, we complain that the Fiance Ministers do not reduce prices. But you are an exception. Within 24 hours, you have reduced the price of petrol, by at least three rupees. That much I concede. But if the petrol fiasco is the 'new India', then I don't know what kind of 'new India' you want!

Now *Samadhan*. The Finance Minister's speech says one thing; the Finance Bill says the opposite. This is the 'new India'! Defence. My calculation is, whatever little study I have made, that in effect, you have increased the Budget only by Rs. 1,000 crores, the Defence Budget. Now you are going to weaponise, you are going to induct nuclear weapons, you are going to mount warheads on missiles. All three things in one thousand crores! This is the 'new India'! Education. As presently pointed out by my colleague, the increase is deceptive because most of it will go in paying higher salaries. This is the 'new India'! Same is the story with power, rural development and many other factors. You are relying on borrowing a very little budgetary support. Same is the case with subsidies. And subsidies,—this is the 'new India'—18 per cent of GDP is subsidies and 17 per cent of collection of taxes. So, one per cent difference. In other words, taxes for subsidies and subsidies for taxes. This is the 'new India'! Then payment for debt services exceeds the total revenue. This is the 'new India'! Planning expenditure is less than what Centre has to pay on interest rates alone. This is the 'new India'! I feel that this is the BJP-Budget. The Budget has not been used as an instrument of economic policy, but as an instrument of political manipulation. Who are the beneficiaries of this Budget? NRIs; the new constituency of BJP! Party funds come from there. So, NRIs. Second is the Bomaby Club. The leading light of Bombay Club just before the elections gave an interview to "The Economic Times" and said, "We will welcome the BJP Government!" So, the second beneficiary is the Bombay Club. Third is the upper middle class, always supporters of BJP—the traders, the small industries, the builders, and several such sections of society support the BJP. Now excise duty on handmade matches is reduced. What is the rationale except that the co-operatives which manufacture these handmade matches are controlled by one of the supporting parties of this Government? That is the only rationale. Truckers are exempted from service tax. Caterers and pandal makers are exempted. These are all BJP lobboies and all of them are favoured. Therefore, it is a intensity political document favouring those who are the supporters of the BJP.

I have said that this is a babu Budget, a bureaucratic Budget. We see the hands of the Joint Secretary every where, throughout the Budget. Trading companies are exempted from 8% limit. Now who will decide which is a trading company? The bureaucrat. You have problems of non-performing assets of banks and of distinction between Plan and non-Plan expenditure. What do you do? You will refer it to a committee of

bureaucrats or a task-force of bureaucrats. Again bureaucrats come into the picture. Now comes service tax on slaughter houses for large animals. They will come in the net. Who will decide it? A bureaucrat will decide it. There may be a bureaucrat soon who will decide that goat is small animal and cow is a large animal. Therefore, there will be no service tax on the first and on the latter if it is killed. Then the exemption of service tax. This is what is going to happen.

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Does the Congress Party think that goat is a large animal?

SHRI V.N. GADGIL: The question is not what the Congress Party thinks. I am predicting what your bureaucrats are going to do. One can see the bureaucratic hands throughout the Budget. What is the rationale for some of the taxes? I don't understand. What is the rationale for levy on tractors and food processing industries? Why is there reduction of duty on perfume unless you are of the view that more perfumes will be used because the Budget smells! That is the only rationale I can tell you. This is a weakness of BJP which you have adopted. Though you are not 100% BJP, you have adopted it. You always have literative views.

चाल, चेहरा, चरित्र, भूख, भय, भ्रष्टाचार
सरल, सम्मान और समाधान

Now you have Saral, Samman and Samadhan. It is going to go the same way. What happended to *bhookh, bhaya* and *bhrashtachar* or to *chal, chehra* and *charitru* is going to happen to you. Now you have quoted Rabindranath Tagore and said that you intend to cross the sea. I want to give you a friendly warning. The sea is stormy and turbulent and you have not provided for any lifeboats. I feel that the whole Budget will sink like the Titanic and soon you will have to bring another Budget. That is what is going to happen. I have great respect for your integrity. I don't doubt your honesty or your integrity. But I have some doubts about your judgements. That is why I mentioned all these things. I am sorry to say that history will record it not as Yashwant Budget but as *Nashwant* Budget. It will go into history

THE VICE-CHAIRMAN (SHRI SANATAN BISI): Message from the Lok Sabha, Secretary-General.

MESSAGE FROM THE LOK SABHA

The Appropriation (Railways) No. 2 Bill, 1998

SECRETARY-GENERAL: Sir, I beg to report the following message received from the Lok Sabha, signed by the Secretary-General of the Lok Sabha:—

"In accordance with the provisions of rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose the Appropriation (Railways) No. 2 Bill, 1998, as passed by Lok Sabha at its sitting held on the 9th June, 1998.

2. The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India."

Sir, I lay a copy of the Bill on the Table.

SHRI H. HANUMANTHAPPA: Mr. Vice-Chairman, will the Government come out with a statement about the possible storm in Gujarat? Or have we got to read it in the newspaper tomorrow?

THE VICE-CHAMRMAN (SHRI SANATAN BISI): Now we are on the General Budget. Naresh Yadav.

THE BUDGET (GENERAL), 1998-99 (Contd.)

श्री नरेश यादव (बिहार): उपसभाध्यक्ष महोदय, मैं अर्थशास्त्री नहीं हूं लेकिन गांव से आता हूं इसलिए अपनी समझ से जो बात इस बजट में मैंने देखी और समझी है वित्त मंत्री जी का ध्यान उस पर आकृष्ट करना चाहूंगा।

सबसे पहले माननीय वित्त मंत्री जी से मैं कहना चाहूंगा कि जल कृषि के लिए महत्वपूर्ण साधन है। जल के सहारे हम जमीन की सिंचाई करते हैं जिससे कि देश का उत्पादन बढ़ता है। आपके माध्यम से मैं वित्त मंत्री